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**FISCAL IMPACT STATEMENT**

**LS 6529**

**BILL NUMBER:** HB 1636

**NOTE PREPARED:** Jan 9, 2005

**BILL AMENDED:**

**SUBJECT:** Sales tax exemption for ATVs.

**FIRST AUTHOR:** Rep. Goodin

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill exempts a retail transaction involving an all terrain vehicle (ATV) from the State Gross Retail Tax if the person acquiring the ATV intends to use it for agricultural purposes.

**Effective Date:** July 1, 2005.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** This bill will reduce the amount of revenue the state receives from the 6% Sales Tax. The exemption is estimated to reduce state Sales Tax revenue by between \$600,000 and \$1.5 M in each of FY 2006 and FY 2006.

Current law (IC 6-2.5-5-2) exempts transactions involving farm machinery and equipment if the person acquiring the property acquires it for the production, extraction, harvesting, or processing of agricultural commodities. This bill expands this exemption to include all terrain vehicles.

Sales Tax revenue is deposited in the: Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

*Background:* The revenue loss estimated above was based on actual Sales Tax figures from the Department of State Revenue (DOR) for "Motorcycle Dealers" in CY 2003.

An ATV, as defined by IC 15-7-7-2, is a motorized off highway vehicle:

- (1) that is fifty (50) inches or less in width;
- (2) that has a dry weight of six hundred (600) pounds or less;
- (3) that is designed for travel on at least three (3) low pressure tires;
- (4) that is designed for operator use only with no passengers;
- (5) that has a seat or saddle designed to be straddled by the operator; and
- (6) that has handlebars for steering control.

Based on this definition, the Sales Tax figures from the DOR were reduced to reflect the market share for ATV's (excluding dirt bikes, street bikes, and scooters). The market share for ATV's is estimated to be around 46%. ATV purchases for agricultural purchases were estimated to constitute between 10% and 25% of all ATV sales.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** Department of State Revenue.

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